

## FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the January 2000 to the April 2000 *Idaho Economic Forecasts*. The January 2000 Idaho forecast is based on DRI's November 1999 U.S. macroeconomic forecast and the April 2000 Idaho forecast is driven by DRI's March 2000 forecast.

This section reviews the differences between the current and previous *Idaho Economic Forecasts*. Readers are warned that unlike previous forecasts, major changes have been made to both the national and Idaho projections. The changes for key variables have been included in the accompanying table.

In general, the short-term outlook for the U.S. economy has noticeably improved. This can be most easily seen by reviewing the differences in real GDP. As the table shows, real GDP was slightly higher in 1999 than had been previously thought. But this gives no hint as to the magnitude of the succeeding changes. The outlook for real GDP growth is stronger by 1.2% in 2000, 0.7% in 2001, and 0.8% in 2002. The improvement is even greater for another closely watched economic indicator, U.S. real personal income. Compared to the previous forecast, it is up 1.0% in 2000, 1.2% in 2001, and 1.5% in 2002. Part of this reflects the forecast of stronger employment growth. Specifically, U.S. nonfarm employment is 0.6% stronger both this year and next and 0.7% higher in 2002. Both inflation and interest rates are expected to be higher in this forecast compared to the previous one.

The changes to the Idaho forecast are even larger than the aforementioned national revisions. There are two reasons for this improvement. They are the stronger-than-anticipated Idaho nonfarm employment growth in the latter part of 1999 and the upgraded national forecast.

In January 2000, it was estimated that nonfarm employment would grow at a 0.1% annual pace in the third quarter of 1999 and 2.3% in the fourth quarter of that year. Recently released Idaho Department of Labor data suggest that job growth has been more robust. Thus, it is now believed that Idaho nonfarm employment expanded at a 3.6% pace in last year's third quarter and by 4.4% during the fourth quarter. This has effectively raised the starting level for the forecast of nonfarm employment.

In addition, Idaho's economy will also grow faster in the short run, thanks to the already mentioned improved outlook for the U.S. economy. Given the improved outlook for employment, it should not come as a surprise that Idaho income growth has also slightly raised. Previously, Idaho nominal personal income was forecast to rise by 6.3% in 1999, 5.6% in 2000, and between 5.5% and 6.0% from 2001 to 2003. In the current forecast, Idaho nominal income rises 7.5% in 1999, 7.4% in 2000, and averages about 6.0% in the remaining years of the forecast. In inflation-adjusted terms, Idaho personal income is expected to average 4.5% growth over the forecast period, which is noticeably higher than the 3.7% rate that was previously forecasted.

**IDAHO ECONOMIC FORECAST**  
**FORECASTS COMPARISON**  
**DIFFERENCES BETWEEN JANUARY 2000 AND APRIL 2000 FORECASTS**

	1998	1999	2000	2001	2002
<b>GDP (BILLIONS)</b>					
Current \$	0	27	118	74	109
% Difference	0.0%	0.3%	1.2%	0.7%	1.0%
1992 Chain-Weighted	0	19	103	56	70
% Difference	0.0%	0.2%	1.2%	0.7%	0.8%
<b>PERSONAL INCOME - CURR \$</b>					
Idaho (Millions)	0	311	833	1,047	1,244
% Difference	0.0%	1.1%	2.9%	3.4%	3.8%
U.S. (Billions)	0	8	93	121	157
% Difference	0.0%	0.1%	1.1%	1.4%	1.7%
<b>PERSONAL INCOME - 1992 \$</b>					
Idaho (Millions)	0	262	663	807	929
% Difference	0.0%	1.1%	2.6%	3.1%	3.5%
U.S. (Billions)	0	5	73	88	110
% Difference	0.0%	0.1%	1.0%	1.2%	1.5%
<b>TOTAL NONFARM EMPLOYMENT</b>					
Idaho	-5	3,881	10,534	10,812	11,378
% Difference	0.0%	0.7%	1.9%	1.9%	2.0%
U.S. (Thousands)	0	40	828	778	990
% Difference	0.0%	0.0%	0.6%	0.6%	0.7%
<b>GOODS PRODUCING SECTOR</b>					
Idaho	0	1,097	3,801	2,950	2,929
% Difference	0.0%	1.0%	3.3%	2.5%	2.5%
U.S. (Thousands)	0	35	497	174	-110
% Difference	0.0%	0.1%	2.0%	0.7%	-0.4%
<b>SERVICE PRODUCING SECTOR</b>					
Idaho	-5	2,784	6,733	7,861	8,450
% Difference	0.0%	0.7%	1.6%	1.8%	1.9%
U.S. (Thousands)	0	5	331	604	1,100
% Difference	0.0%	0.0%	0.3%	0.6%	1.0%
<b>FINANCIAL MARKETS</b>					
Federal Funds Rate	0.0	0.0	0.7	1.0	0.4
Bank Prime Rate	0.0	0.0	0.7	1.0	0.5
Mort Rate, New Homes	0.0	-0.1	0.3	0.7	0.6
<b>INFLATION</b>					
GDP Price Deflator	0.0	0.1	0.2	0.3	0.5
Personal Cons Deflator	0.0	0.0	0.2	0.4	0.4
Consumer Price Index	0.0	0.0	0.2	0.3	0.1

**Forecast Begins the FOURTH Quarter of 1999**